

Wealth Management Digest **January 2025**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

Total Returns (%) Year-To-Date (At Month End)

	2023	2024	Oct-24	Nov-24	Dec-24
MSCI Global Equities	22.82%	18.03%	16.45%	20.85%	18.03%
MSCI Developed Market Equities	24.44%	19.22%	16.95%	22.37%	19.22%
MSCI Emerging Markets Equities	10.20%	7.97%	12.11%	8.10%	7.97%
MSCI Asia ex Jn Equities	11.98%	10.14%	12.56%	11.12%	10.14%
S&P 500 (US) Equities	26.26%	25.00%	20.96%	28.06%	25.00%
STOXX 600 (EU) Equities	16.63%	9.62%	8.85%	10.10%	9.62%
CSI 300 (China) Equities	-9.14%	18.24%	16.67%	17.55%	18.24%
HSI (HK) Equities	-10.46%	22.90%	24.25%	18.99%	22.90%
MSCI Malaysia (MY) Equities	0.67%	17.51%	13.61%	13.69%	17.51%
Bloomberg Global IG Bond	5.72%	-1.69%	0.12%	0.47%	-1.69%
Bloomberg Global HY Bond	14.04%	9.19%	8.90%	9.80%	9.19%

Source: Bloomberg, as of 30 December 2024

GLOBAL EQUITIES

Global equities pulled back in the final month of 2024, as concerns about valuations and ongoing geopolitical tensions weighed on investors sentiments. Additionally, investors were also concerned about the incoming policies of President-elect Donald Trump, remembering his first term-presidency and the volatility that brought to the markets. Investors sitting on strong returns the past 2-years have booked gains ahead of potential volatility.

ASIA PACIFIC EQUITIES

Asia ex Japan has delivered a reasonable return to investors in 2023 and 2024, despite mixed performance within the region. Gains in India and China towards the year end has helped to push the performance higher. Some Southeast Asian countries also performed well, delivering healthy results to portfolios skewed towards Asia. However, pick-up in volatility in the developed Asia space limited overall portfolio gains.

MALAYSIAN EQUITIES

Malaysian equities closed 2024 with a spectacular run, delivering returns that were on par with the global equity index. Performance was largely driven by local buying support, as investors were encouraged by Prime Minister Anwar Ibrahim's policies. Influx of foreign investments also helped to lift the market higher for the year, indicating stronger interest from foreign investors in the local market.

Source: AmBank Retail Wealth Management Advisory & Research (as at 11 January 2025)

News Topics – Business & Economy

Economic Rollercoaster: China's Stimulus Stalls

China's economy is ending the year weakly, with government efforts to boost growth losing momentum. Consumer spending recovery remains unsustainable, with retail sales declining across all sectors.

Manufacturing output growth has slowed due to weakened domestic and foreign demand, and the end of pre-tariff buying by US customers has further impacted the economy. Although home sales improved, property prices fell, undermining consumer confidence. Corporate borrowing has decreased, highlighting the need for stronger government policies to boost business sentiment.

Economists expect more stimulus measures from Beijing, especially during the National People's Congress in March, particularly if President-elect Trump imposes new tariffs on Chinese imports.

However, there are concerns about whether policymakers will implement sufficiently robust measures. Structural challenges such as local government debt, an aging population, and heavy reliance on exports continue to limit China's growth potential.

Recent moves in China's bond market suggest investor skepticism about the effectiveness of Beijing's shift from "prudent" to "moderately loose" monetary policy. Despite a 19% rise in the iShares MSCI China ETF this year, Chinese stocks have stagnated since mid-October.

Source: Bloomberg (December 2024)

India's Economic Rebound: Confidence Soars High

India's new central bank governor, Sanjay Malhotra, expects the economy to rebound next year due to strong consumer and business confidence.

In his first public comments since taking office, Malhotra noted that economic prospects should improve after the slowdown in early 2024-25.

He highlighted high consumer and business confidence and a brighter investment scenario as corporations enter 2025 with robust balance sheets and high profitability.

Malhotra, appointed just two days before his term began on December 11, emphasized the importance of stability and growth but did not provide specific guidance on monetary policy.

Under previous Governor Shaktikanta Das, the RBI kept interest rates unchanged for nearly two years. Economists now anticipate potential rate cuts by Malhotra as early as February.

The economy's growth slowed to its weakest pace in almost two years last quarter, leading to revised growth projections of about 6.5% for the current fiscal year.

The RBI's Financial Stability Report expects growth to recover in the latter half of the financial year, driven by domestic consumption, investment, strong service exports, and easy financial conditions.

Source: Bloomberg (December 2024)

News Topics – Business & Economy

Ringgit Rises: Asia's Currency Champion

The ringgit was Asia's best-performing currency in 2024, appreciating over 2.73% to RM4.47 against the US dollar. This contrasted with declines in other Asian currencies, such as the South Korean won and Japanese yen.

Despite volatility, the ringgit rebounded from a low of RM4.80 in February to a high of RM4.12 in September, stabilizing at RM4.47 in December.

Key factors included coordinated efforts by the government and Bank Negara Malaysia (BNM), promising economic prospects, and structural reforms by the MADANI government.

The ringgit's performance was also bolstered by targeted measures to repatriate export earnings and convert foreign income into local currency.

Malaysia's removal from the US currency manipulation watchlist further boosted confidence.

Analysts forecast a moderate strengthening of the ringgit in 2025, supported by easing US monetary policy and strong domestic fundamentals.

However, potential challenges include global trade uncertainties and US monetary policy changes. Despite these, Malaysia's proactive policies and strong domestic foundation are expected to keep the ringgit resilient.

Source: Bloomberg (December 2024)

Southeast Asia's Tech Boom: Future Unfolds

Southeast Asia is rapidly transforming into a tech hub due to escalating US-China tensions. Northern Vietnam and Malaysia are seeing significant industrial growth, with over \$100 billion in foreign direct investment from 2020 to 2023.

This influx is creating jobs and raising incomes, but also driving up property prices and power demand. Many top jobs are going to foreign workers. The region's shift began during the Covid-19 pandemic, with companies moving production to Southeast Asia to avoid US tariffs on China.

Malaysia and Vietnam are key beneficiaries, with Malaysia aiming to escape the middle-income trap and become a high-income nation. Penang, Malaysia, is expanding its chip manufacturing capacity, while Bac Ninh, Vietnam, is becoming a high-tech industrial hub.

However, challenges remain, including the need for a skilled workforce and stable power supplies. Malaysia is training 60,000 engineers and investing in renewable energy to meet these demands.

Johor, Malaysia, is emerging as a data center market, attracting investments from Nvidia and Microsoft.

Despite challenges, Southeast Asia's proactive policies and strong economic foundations position it for continued growth.

Source: Bloomberg (December 2024)

News Topics – Business & Economy

Fed's Hawkish Cut: Yields Soar High

The US Treasury market tumbled as traders reacted to the Federal Reserve's revised forecasts, reducing expectations for interest-rate cuts next year. Shorter-maturity yields, sensitive to Fed policy shifts, rose over 10 basis points. The Fed cut rates for the third time, signalling a slower pace next year.

Fed Chair Jerome Powell cited higher inflation as the reason. The Fed's new forecasts show two quarter-point cuts next year, but traders expect fewer. The policy rate was lowered to 4.25%-4.5%, closer to neutral. Revised projections for 2025 and 2026 were higher than previous estimates.

The Fed's cautious language and economic projections suggest some officials no longer see current policy as restrictive. Two-year yields jumped 11 basis points to 4.35%, while longer-maturity yields rose less.

The 10-year note saw its biggest increase since June 2013. The Fed's policy rate influences Treasury yields, which have risen above 4% since September.

The Fed's projections anticipate faster growth, lower unemployment, and higher inflation. Bond investors are also considering potential tax policies from President-elect Trump, which could impact growth and inflation.

Analysts believe the Fed may hold rates steady next year if inflation remains high.

Source: Bloomberg (December 2024)

Stocks Stumble: Year-End Volatility Strikes

US stocks experienced a volatile end to 2024, with the S&P 500 and Nasdaq 100 dropping for four consecutive sessions, erasing over a trillion dollars from large-cap market values.

Despite this, the S&P 500 has gained more than 50% since early 2023, marking the best two-year gain since the late 1990s.

Treasuries saw a smaller annual gain compared to 2023, while the Bloomberg Dollar Spot Index had its best year in nearly a decade.

US technology stocks outperformed other asset classes, with the S&P 500 rising 23% in 2024, adding \$10 trillion to US equity values. The MSCI All-Country World Index climbed 16%.

The Vanguard Total Bond Market ETF gained 1.5%, and the Bloomberg Commodity Index remained unchanged. Investors face challenges in 2025, including inflation and the Federal Reserve's response, with fewer interest-rate cuts expected.

President-elect Trump's pro-growth policies may impact consumer prices and federal finances. Gold had its best year since 2010, while oil remained flat. European natural gas prices rose, anticipating a halt in Russian flows via Ukraine..

Source: Bloomberg (December 2024)

AmBank Economics – Monthly Manifests

Malaysia's Economic Surge: Growth and Gains

Malaysia's economy in 2024 has demonstrated resilience and steady progress, with GDP growth surpassing expectations and the unemployment rate returning to pre-pandemic lows without triggering high inflation.

The full-year GDP growth is anticipated to rise from 3.6% in 2023 to 4.9%, driven by robust private consumption, an investment upcycle, and improving trade dynamics, partly due to the global semiconductor recovery.

Looking ahead to 2025, growth is projected to moderate to 4.6%, aligning with the lower bound of the official projection range of 4.5% to 5.5%.

However, external risks such as potential trade disruptions and geopolitical tensions could impact growth.

Inflation has been subdued, averaging below 2.0% in 2024, reflecting global disinflationary trends and easing supply chains.

However, inflationary pressures may increase in 2025 due to cost-push factors and subsidy rationalization.

Bank Negara Malaysia (BNM) is expected to maintain the Overnight Policy Rate (OPR) at 3.00% through at least the first half of 2025, with ample policy space to manoeuvre if downside risks to growth intensify.

Manufacturing sentiment remained sluggish at the end of 2024, but the sector accounted for 34.9% of total approved investments, amounting to RM88.8 billion.

The government has allocated over RM300 million to support renewable energy and decarbonization initiatives.

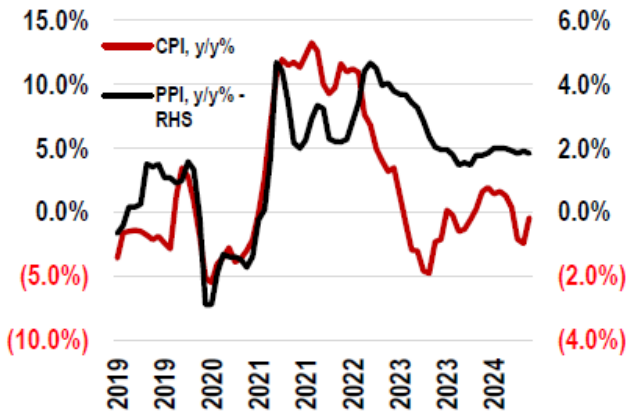
Tenaga Nasional Berhad (TNB) plans to hike its base electricity tariff by 14.2%, potentially impacting industrial players and leading to inflationary pressures.

The tariff increase is part of the three-year Regulatory Period 4 (RP4), with approved capital expenditure of RM42.8 billion, including RM26.6 billion for base capital expenditure and RM16.3 billion for contingent capital expenditure.

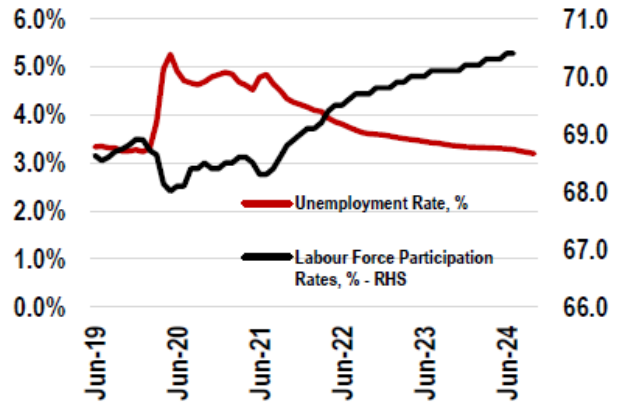
Source: AmBank Economics (Jan 2025)

Economic Events – Commentary & Charts

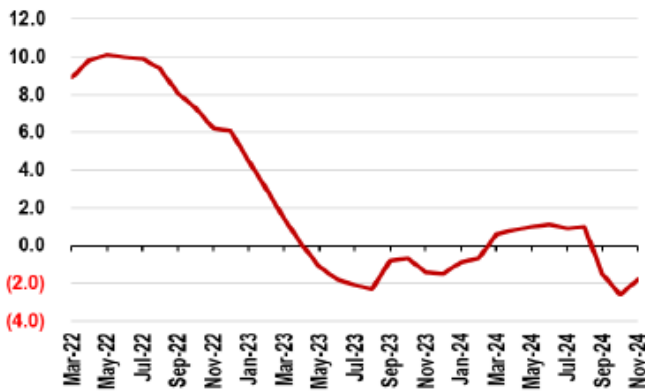
Malaysia CPI vs. Core CPI, y/y %



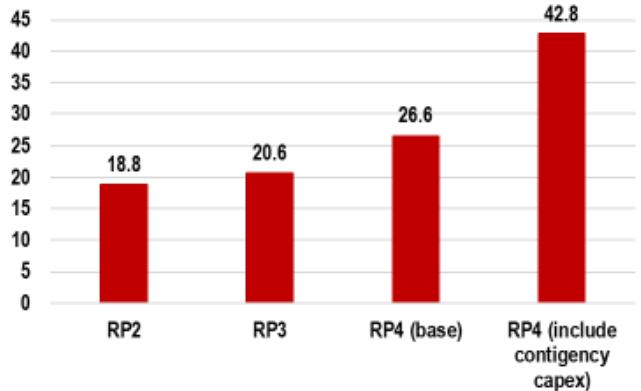
Labor Market (%)



Manufacturing PPI y/y %



Capex Trend of RP (Rm Billion)



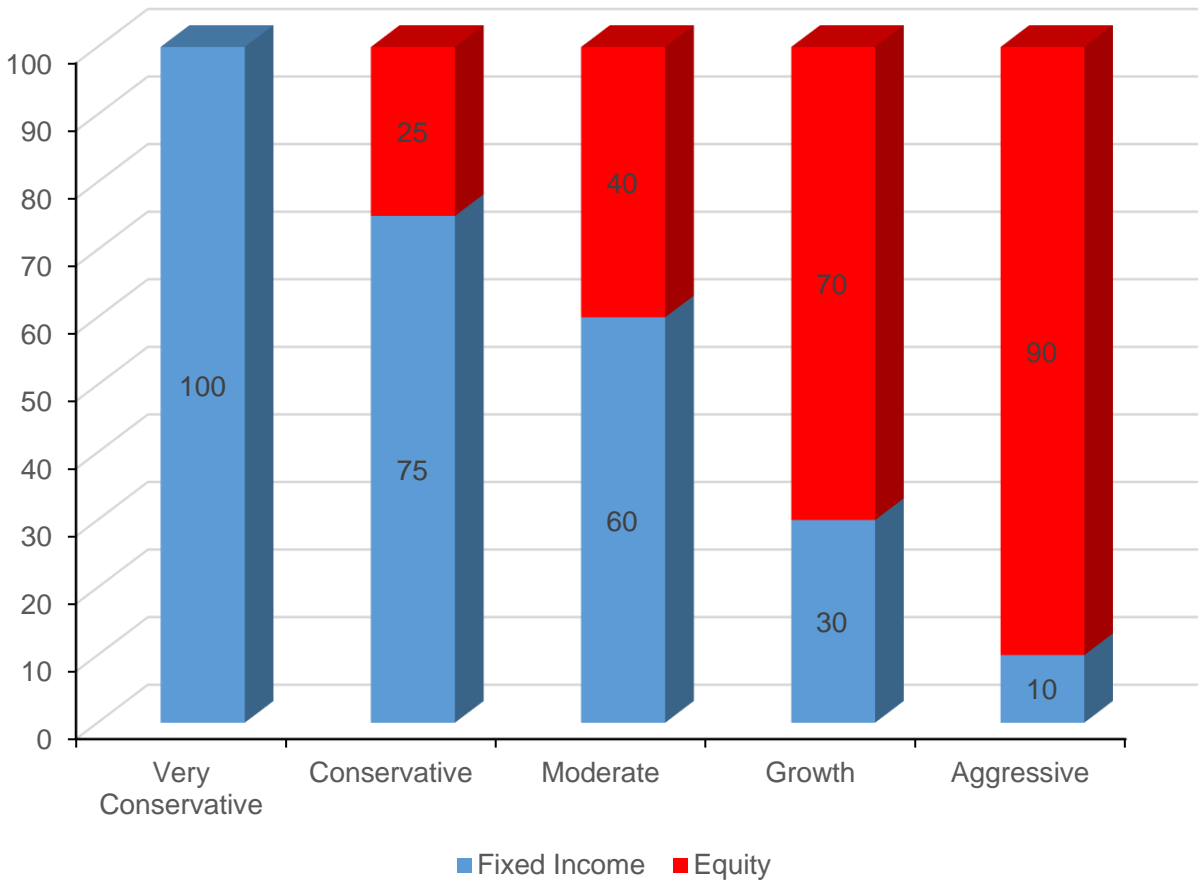
AmBank Economics' Projections (%)

	Actual Data		Forecast	
	2022	2023	2024F	2025F
GDP, y/y%	8.9	3.6	4.9	4.6
Inflation rate	3.4	2.5	1.8	2.5 – 3.0
Unemployment rate	3.8	3.3	3.2*	3.2*
OPR	2.75	3.00	3.00	3.00

Source: AmBank Economic Research

Asset Allocation Strategy

Reference Portfolio (Based on Investor's Risk Profile)
(% Allocation for Equity and Fixed Income)



Source: AmBank

Fund of Focus – 1st Quarter 2025

	Retail (21 Funds)	Wholesale (14 Funds)
Shield & Yields	AHAM Wld Ser Income AmDynamic Bond AmTactical Bond B Maybank Global Mixed Assets-I Principal Islamic Lifetime Balanced TA Total Return Income United Golden Opportunity	AmFunds Glb Agribusiness AmFunds Income and Growth
Enduring Giants	Manulife Global Perspective A Principal Global Titans	AmFunds Global Dividend RHB Global Equity Premium Income
Malaysia's Reformed Future	AHAM Select Opportunity Fund	Eastspring Investments Small Cap
Global Champions	TA Global Select Equity Maybank Global Sustainable Equity-i	AHAM Aiiman Glb Mlt Thmtc
Asia's Resurgence	Maybank Asiapac Ex-Japan Equity-i Principal Asia Pacific Dynamic Inc RHB Asian Income	MAMG Sys AsiaPac Eq Abs Ret
Ai Capex Supercycle	RHB i-Sustainable Future Tech TA Global Technology	Principal Global Technology Principal Islamic Global Tech United Global Transformation
Small Cap's Risk Buffer		AmFunds Global Smaller Companies Principal US High Conviction
Twin-Economic Drivers	AmFunds India Growth Manulife India Equity Principal Greater China Equity RHB Shariah China Focus	AmChina A-Shares Hong Kong Tech Index

Note: Funds are selected using a quantitative filter. Best scoring funds across key categories have shortlisted to be in the fund of focus. Based on Wealth Advisory & Research and Wealth Product Managers PM discretion & experience, new funds and tactical ideas may be added as required to capture fast moving market trends.

Source: AmBank as of January 2025

Top 5 Best Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Opportunity Fund	Equity - Malaysia	Retail	26.2	30.11	9.06
Eastspring Inv Islamic Small-cap	Equity - Malaysia	Retail	24.08	26.13	8.78
Principal Global Technology MYR H	Equity - Global	Retail	23.01	28.27	-0.63
TA Global Technology MYR	Equity - Global	Retail	27.04	31.29	10.65
United Golden Opportunity MYR hedged	Other - Global	Retail	23.14	26.09	10.24

Top 5 Worst Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Asia (ex Jpn) Qtm Fd	Equity - Asia ex Japan	Retail	-10.76	-11.13	-5.81
AmAsia Pacific REITs B MYR	Equity - Asia ex Japan	Retail	-9.46	-4.27	-7.4
Maybank Singapore REITs MYR	Equity - Developed Market	Retail	-11.3	-7.59	-3.54
Principal Islamic Asia Pacific Dyn Eq	Equity - Asia ex Japan	Retail	-9.96	-6.1	-6.75
RHB Resources	Equity - Asia ex Japan	Retail	-8.49	-5.43	2.91

Source: Lipper fund performance as at 30 December 2024, applicable to funds distributed by AmBank
Past performance does not indicate future returns

Definitions

AAA/BBB	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
AUD	Australian Dollar
Bosvepa	Brazil Stock Index
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Renminbi
CPI	Consumer Price Index
DAX	German Stock Index
DJIA	Dow Jones Industrial Average
EPFR Global	Emerging Portfolio Fund Research, Inc.
ETF	Exchange Traded Funds
EUR	Euro
FocusEconomics	FocusEconomics is a leading provider of economic analysis and forecasts for 127 countries in Africa, Asia, Europe and the Americas, as well as price forecasts for 33 key commodities.
GBP	UK Pound Sterling
GDP	Gross Domestic Product
German IFO	German Information and F orschung (research).
HSI	Hong Kong's Hang Seng Index
IIF	Institute of International Finance
IHS	Information Handling Services is a company based in London, United Kingdom. IHS provides information and analysis to support the decision-making process of businesses and governments.
IHS Markit	A merger between IHS and Markit Ltd.
Indonesia's JSX	Indonesia's Jakarta Stock Exchange
I/B/E/S	'Institutional Brokers' Estimate System
INR	Indian Rupee
JPY	Japanese Yen
KOSPI	South Korea's Stock Index
Malaysia's KLCI	FTSE Bursa Malaysia Index
Markit Ltd	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
MICEX	Russian Stock Index
MYR	Malaysian Ringgit
Philippines PSE	Philippines' Stock Index
PSEi	The Philippine Stock Exchange, Inc
PMI	Purchasing Managers' Index
PRC	People's Republic of China
Q1,Q2,Q3,Q4	Quarter 1, Quarter 2, Quarter 3, Quarter 4
SCI	China's Shanghai Composite Index
SGD	Singapore Dollar
Singapore STI	Singapore's Strait Times Index
TAIEX	Taiwan's Stock Index
Thailand's SET	Thailand's Stock Index
U.K.	United Kingdom
U.S.	United States of America
U.S. Fed	United States Federal Reserve
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

Disclaimer

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